NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the North Tama County Community School District in Traer, Iowa.

The District's revenue totaled $5,024,629 for the year ended June 30, 2006, a 4.54 percent increase from the prior year. Revenues included $2,036,876 in local tax, $1,763,851 in unrestricted state grants, charges for service of $618,984 operating grants, contributions and restricted interest of $556,557, unrestricted interest of $5,604 and other general revenue of $42,757.

Expenses for District operations totaled $4,829,500 a 7.82 percent increase from the prior year. Expenses included $2,058,809 for Regular instruction, $541,487 for Administration services and $509,834 for Special instruction.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office, and on thee Auditor of State's web site at http://auditor.iowa.gov/reports/reports.htm.

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North Tama County Community School District

Officials

Name	Title	Term Expires
Board of Education (Before September 2005 Election)		
John Hayek	President	2005
Dave Stuart	Vice President	2006
Richard Arp	Board Member	2005
Judy Robb	Board Member	2006
Gretchen Pargeon	Board Member	2006
Diane Panfil	Board Member	2007
Barb Kopriva	Board Member	2007
Board of Education (After September 2005 Election)		
John Hayek	President	2008
Dave Stuart	Vice President	2006
Richard Arp	Board Member	2008
Judy Robb	Board Member	2006
Gretchen Pargeon	Board Member	2006
Diane Panfil	Board Member	2007
Barb Kopriva	Board Member	2007
School Officials		
Tom McDermott	Superintendent	2006
Nancy Gee	District Secretary/ Business Manager	2006
Roan, Powell & Reinders	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District, Traer Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2006 on our consideration of North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson

NOLTE, CORNMAN & JOHNSON, P.C.

August 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $3,816,054 in fiscal 2005 to $4,148,690 in fiscal 2006, while General Fund expenditures also increased from $3,828,178 in fiscal 2005 to $4,240,989 in fiscal 2006. This resulted in a decrease in the District's fund balance from $464,509 in fiscal 2005 to $372,210 in fiscal 2006, which was a 19.8% decrease from the prior year.

- The largest factor in the increased revenue was the increase in state aid from $1,543,630 in fiscal 2005 to $1,747,205 in fiscal 2006.

- The largest increases in expenditures were in instructional staff services from $80,961 to $167,755.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Tama County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
North Tama County Community School District Annual Financial Report

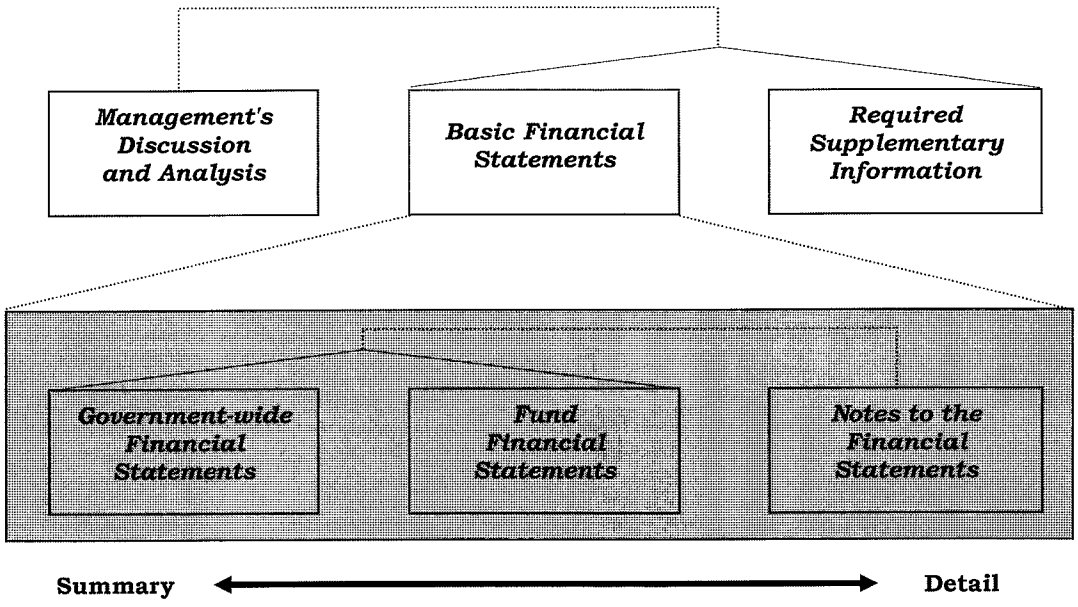

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund; Capital Projects; Special Revenue Funds; and the Debt Service Fund.
The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair, Jet and NT & S funds.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	$ 2,554,264	2,594,207	$ 28,074	21,823	$ 2,582,338	2,616,030	-1.29%
Capital assets	1,691,717	1,640,907	28,118	30,195	1,719,835	1,671,102	2.92%
Total assets	4,245,981	4,235,114	56,192	52,018	4,302,173	4,287,132	0.35%
Long-term obligations	3,890	62,913	0	0	3,890	62,913	-93.82%
Other liabilities	1,769,289	1,684,158	554	1,544	1,769,843	1,685,702	4.99%
Total liabilities	1,773,179	1,747,071	554	1,544	1,773,733	1,748,615	1.44%
Net assets:							
Invested in capital assets, net of related debt	1,691,717	1,598,354	28,118	30,195	1,719,835	1,628,549	5.61%
Restricted	369,694	395,304	0	0	369,694	395,304	-6.48%
Unrestricted	411,391	494,385	27,520	20,279	438,911	514,664	-14.72%
Total net assets	$ 2,472,802	2,488,043	$ 55,638	50,474	$ 2,528,440	2,538,517	-0.40%

The District's combined net assets decreased by .4% or $10,077 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 6.48% or $25,610 over the prior year. The main reason for the decrease in restricted net assets was the purchase of capital assets.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 14.72% or $75,753 from the prior year. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets at June 30, 2006 compared to June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	$ 461,251	556,534	$ 157,733	182,522	618,984	739,056	-16.25%
Operating grants and contributions and restricted interest	482,292	502,335	74,265	64,356	556,557	566,691	-1.79%
General revenues:							
Property tax	1,779,207	1,773,490	0	0	1,779,207	1,773,490	0.32%
Local option sales and service tax	257,669	154,546	0	0	257,669	154,546	66.73%
Unrestricted state grants	1,763,851	1,559,733	0	0	1,763,851	1,559,733	13.09%
Other revenue	48,181	12,949	180	150	48,361	13,099	269.20%
Total revenues	4,792,451	4,559,587	232,178	247,028	5,024,629	4,806,615	4.54%
Program expenses:							
Governmental activities:							
Instructional	2,907,399	2,632,653	20,739	73,452	2,928,138	2,706,105	8.20%
Support services	1,483,546	1,341,326	0	0	1,483,546	1,341,326	10.60%
Non-instructional programs	0	0	206,275	209,310	206,275	209,310	-1.45%
Other expenses	211,541	222,401	0	0	211,541	222,401	-4.88%
Total expenses	4,602,486	4,196,380	227,014	282,762	4,829,500	4,479,142	7.82%
Change in net assets	189,965	363,207	5,164	(35,734)	195,129	327,473	-40.41%
Net assets beginning of year, as restated (Note 9)	2,282,837	2,124,836	50,474	86,208	2,333,311	2,211,044	5.53%
Net assets end of year	$ 2,472,802	2,488,043	$ 55,638	50,474	2,528,440	2,538,517	-0.40%

Property tax and unrestricted state grants account for 71% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were $4,792,451 and expenses were $4,602,486.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 2,907,399	2,146,867
Support services	1,483,546	1,460,959
Other expenses	211,541	51,117
Totals	$ 4,602,486	3,658,943

- A portion of the cost financed by users of the District's programs was $461,251.
- The federal and state government subsidized certain programs with operating grants and contributions totaling $482,292.
- The net cost portion of governmental activities was financed with $2,036,876 in property tax and other taxes, $1,763,851 in unrestricted state grants, and unrestricted investment earnings of $5,424.

Business-Type Activities

The District's business-type activities are the School Nutrition Fund, and the Enterprise Funds. Revenues of the District's business-type activities totaled $232,178 in 2006, which is a decrease of 6% under the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses decreased 20% to $227,014 for business-type activities in 2006; this was due to decreased costs in the other enterprise fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Tama County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of $664,268, a decrease of $134,875 below last years ending fund balances of $799,143.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the result of many factors. The District increased its General Fund expenditures over the prior year, which was a result of increases in the instructional support services.
- Local option sales tax revenue was received for the first time in fiscal year 2005. Revenues in the fiscal year 2006 were $257,891 and expenses were $301,759.

Proprietary Fund Highlights

- School Nutrition Fund ending cash balance increased $6,641 from previous year.
- The increase in the balance in the Nutrition Fund can be attributed to receiving $71,335 in federal revenue as opposed to $61,592 last fiscal year, a $9,743 dollar increase.

BUDGETARY HIGHLIGHTS

The District's receipts were $89,268 less than budgeted receipts. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested $1,719,845, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was $157,269.

The original cost of the District's capital assets was $4,386,769. Governmental funds account for $4,318,465, with the remainder of $68,304 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled $205,900 at June 30, 2006, compared to $101,490 reported at June 30, 2005.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	$ 116,414	116,414	$ 0	0	$ 116,414	116,414	0.00%
Buildings	1,089,686	938,404	0	0	1,089,686	938,404	13.88%
Improvements other than buildings	205,900	101,490	0	0	205,900	101,490	50.71%
Machinery and equipment	279,717	279,393	28,118	30,195	307,835	309,588	-0.57%
Total	$ 1,691,717	1,435,701	$ 28,118	30,195	$ 1,719,835	1,465,896	14.77%

Long-Term Debt

At year-end, the District had $3,890 in early retirement outstanding. This represents a decrease of 94% from last year's balance of $62,913. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2006	2005	Change
Building loan(1996)	$ 0	42,000	-100.0%
Early retirement	3,890	20,913	-81.4%
Totals	$ 3,890	62,913	-93.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs – especially in the area of health insurance – must be continued and expanded.
- The Physical Plant and Equipment Levy (PPEL) expired in 2005 and was replaced by the School Infrastructure Local Option (SILO) Sales tax which was approved in Tama County on February 24, 2004. The SILO Tax is projected to generate approximately $200,000 per year for 10 years.
- The District also has an Instructional Support Levy of 10 percent to help purchase educational supplies and pay employee salaries and benefits. It is important that the District renews this Levy when it is up for renewal in 2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Gee, Board Secretary, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

BASIC FINANCIAL STATEMENTS

Exhibit A

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 582,547	20,528	603,075
Receivables			
Property tax:			
Delinquent	36,414	0	36,414
Succeeding year	1,669,508	0	1,669,508
Income surtax	120,707	0	120,707
Accounts	31,151	788	31,939
Due from other governments	113,937	0	113,937
Inventories	0	6,758	6,758
Capital assets, net of accumulated depreciation(Note 4)	1,691,717	28,118	1,719,835
TOTAL ASSETS	4,245,981	56,192	4,302,173
LIABILITIES			
Accounts payable	81,858	0	81,858
Deferred revenue:			
Succeeding year property tax	1,669,508	0	1,669,508
Other	17,923	554	18,477
Long-term liabilities(Note 5):			
Portion due within one year:			
Early retirement	3,890	0	3,890
TOTAL LIABILITIES	1,773,179	554	1,773,733
NET ASSETS			
Investment in capital assets, net of related debt	1,691,717	28,118	1,719,835
Restricted for:			
Salary improvement program	45	0	45
Phase III	96	0	96
Talented and gifted	34,800	0	34,800
Early intervention	46,585	0	46,585
Physical plant and equipment levy	43,117	0	43,117
Capital projects	123,434	0	123,434
Management levy	59,219	0	59,219
Other special revenue purposes	62,398	0	62,398
Unrestricted	411,391	27,520	438,911
TOTAL NET ASSETS	$ 2,472,802	55,638	2,528,440

SEE NOTES TO FINANCIAL STATEMENT

Exhibit B

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:						
Instruction:						
Regular instruction	$ 2,058,809	112,502	295,072	(1,651,235)	0	(1,651,235)
Special instruction	509,834	47,654	26,796	(435,384)	0	(435,384)
Other instruction	338,756	278,508	0	(60,248)	0	(60,248)
	2,907,399	438,664	321,868	(2,146,867)	0	(2,146,867)
Support services:						
Student services	187,392	0	0	(187,392)	0	(187,392)
Instructional staff services	142,153	0	0	(142,153)	0	(142,153)
Adminstration services	541,487	0	0	(541,487)	0	(541,487)
Operation and maintenance of plant services	331,110	0	0	(331,110)	0	(331,110)
Transportation services	281,404	22,587	0	(258,817)	0	(258,817)
	1,483,546	22,587	0	(1,460,959)	0	(1,460,959)
Other expenditures:						
Long-term debt interest	1,305	0	0	(1,305)	0	(1,305)
AEA flowthrough	160,424	0	160,424	0	0	0
Depreciation(unallocated)*	49,812	0	0	(49,812)	0	(49,812)
	211,541	0	160,424	(51,117)	0	(51,117)
Total governmental activities	4,602,486	461,251	482,292	(3,658,943)	0	(3,658,943)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	206,275	138,708	74,265	0	6,698	6,698
Enterprise	20,739	19,025	0	0	(1,714)	(1,714)
Total business-type activities	227,014	157,733	74,265	0	4,984	4,984
Total	$ 4,829,500	618,984	556,557	(3,658,943)	4,984	(3,653,959)
General Revenues:						
Property tax levied for:						
General purposes				$ 1,675,265	0	1,675,265
Capital outlay				103,942	0	103,942
Local option sales and services tax				257,669	0	257,669
Unrestricted state grants				1,763,851	0	1,763,851
Unrestricted investment earnings				5,424	180	5,604
Donations				42,757	0	42,757
Total general revenues				3,848,908	180	3,849,088
Changes in net assets				189,965	5,164	195,129
Net assets beginning of year, as restated(Note 9)				2,282,837	50,474	2,333,311
Net assets end of year				$ 2,472,802	55,638	2,528,440

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	$ 337,391	76,621	168,535	582,547
Receivables:				
Property tax:				
Delinquent	33,379	0	3,035	36,414
Succeeding year	1,588,971	0	80,537	1,669,508
Income surtax	120,707	0	0	120,707
Accounts	31,151	0	0	31,151
Due from other governments	4,605	109,332	0	113,937
TOTAL ASSETS	$ 2,116,204	185,953	252,107	2,554,264
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 16,393	62,519	2,946	81,858
Deferred revenue:				
Succeeding year property tax	1,588,971	0	80,537	1,669,508
Income surtax	120,707	0	0	120,707
Other	17,923	0	0	17,923
Total liabilities	1,743,994	62,519	83,483	1,889,996
Fund balances:				
Reserved for:				
Salary improvement program	45	0	0	45
Phase III	96	0	0	96
Talented and gifted	34,800	0	0	34,800
Early intervention	46,585	0	0	46,585
Unreserved	290,684	123,434	168,624	582,742
Total fund balances	372,210	123,434	168,624	664,268
TOTAL LIABILITIES AND FUND BALANCES	$ 2,116,204	185,953	252,107	2,554,264

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 15)	$	664,268
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,691,717
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		120,707
Long-term liabilities, including notes and loans payable, and early retirement, are not due and payable in the current period and, therefore are not reported in the funds.		(3,890)
Net assets of governmental activites (page 13)	$	2,472,802

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	$ 1,603,874	257,668	190,421	2,051,963
Tuition	160,156	0	0	160,156
Other	138,638	223	210,416	349,277
Intermediate sources	44,889	0	0	44,889
State sources	2,092,712	0	121	2,092,833
Federal sources	108,421	0	0	108,421
Total revenues	4,148,690	257,891	400,958	4,807,539
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,834,582	0	234,598	2,069,180
Special instruction	509,009	0	0	509,009
Other instruction	332,365	0	0	332,365
	2,675,956	0	234,598	2,910,554
Support services:				
Student services	187,172	0	0	187,172
Instructional staff services	167,755	0	0	167,755
Administration services	531,481	0	16,981	548,462
Operation and maintenance of plant services	299,090	13	33,694	332,797
Transportation services	219,111	0	68,260	287,371
	1,404,609	13	118,935	1,523,557
Other expenditures:				
Facilities acquisitions	0	301,746	2,275	304,021
Long-term debt:				
Principal	0	0	42,000	42,000
Interest	0	0	1,858	1,858
AEA flowthrough	160,424	0	0	160,424
	160,424	301,746	46,133	508,303
Total expenditures	4,240,989	301,759	399,666	4,942,414
Excess(deficiency) of revenues over(under) expenditures	(92,299)	(43,868)	1,292	(134,875)
Other financing sources(uses):				
Transfers in	0	0	43,858	43,858
Transfers out	0	0	(43,858)	(43,858)
Total other financing sources(uses)	0	0	0	0
Net change in fund balances	(92,299)	(43,868)	1,292	(134,875)
Fund balance beginning of year	464,509	167,302	167,332	799,143
Fund balance end of year	$ 372,210	123,434	168,624	664,268

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17)		$ (134,875)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 311,244	
Depreciation expense	(55,228)	256,016
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:		
Repaid		42,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		553
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		(15,088)
Some expenses reported in the Statement of Activities do no require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	17,023	
ISEBA assessment	24,336	41,359
Changes in net assets of governmental activities (page 14)		$ 189,965

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	School Nutrition	Other Enterprise Funds	Total
ASSETS			
Cash and pooled investments	$ 16,509	4,019	20,528
Accounts receivable	788	0	788
Inventories	6,758	0	6,758
Capital assets, net of accumulated depreciation	28,118	0	28,118
Total assets	52,173	4,019	56,192
LIABILITIES			
Deferred Revenue:			
Other	554	0	554
Total liabilities	554	0	554
NET ASSETS			
Invested in capital assets	28,118	0	28,118
Unrestricted	23,501	4,019	27,520
Total net assets	$ 51,619	4,019	55,638

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	$ 138,708	19,025	157,733
TOTAL OPERATING REVENUES	138,708	19,025	157,733
OPERATING EXPENSES:			
Instruction:			
Salaries	0	1,571	1,571
Benefits	0	210	210
Services	0	5,840	5,840
Supplies	0	13,118	13,118
Total Instruction	0	20,739	20,739
Non-instructional programs:			
Food service operations:			
Salaries	67,995	0	67,995
Benefits	22,298	0	22,298
Services	5,301	0	5,301
Supplies	106,668	0	106,668
Depreciation	4,013	0	4,013
Total non-instructional	206,275	0	206,275
TOTAL OPERATING EXPENSES	206,275	20,739	227,014
OPERATING LOSS	(67,567)	(1,714)	(69,281)
NON-OPERATING REVENUES:			
State sources	2,930	0	2,930
Federal sources	71,335	0	71,335
Interest income	133	47	180
TOTAL NON-OPERATING REVENUES	74,398	47	74,445
Changes in net assets	6,831	(1,667)	5,164
Net assets beginning of year	44,788	5,686	50,474
Net assets end of year	$ 51,619	4,019	55,638

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	$ 138,555	0	138,555
Cash received from miscellaneous operating activities	860	19,025	19,885
Cash payments to employees for services	(90,293)	(1,781)	(92,074)
Cash payments to suppliers for goods or services	(101,952)	(18,958)	(120,910)
Net cash used in operating activities	(52,830)	(1,714)	(54,544)
Cash flows from non-capital financing activities:			
State grants received	2,930	0	2,930
Federal grants received	58,344	0	58,344
Net cash provided by non-capital financing activities	61,274	0	61,274
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,936)	0	(1,936)
Cash flows from investing activities:			
Interest on investments	133	47	180
Net increase(decrease) in cash and cash equivalents	6,641	(1,667)	4,974
Cash and cash equivalents at beginning of year	9,868	5,686	15,554
Cash and cash equivalents at end of year	$ 16,509	4,019	20,528
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (67,567)	(1,714)	(69,281)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	12,991	0	12,991
Depreciation	4,013	0	4,013
Increase in inventories	(1,430)	0	(1,430)
Decrease in accounts receivable	153	0	153
Decrease in accounts payable	(1,544)	0	(1,544)
Increase in deferred revenue	554	0	554
Net cash used in operating activities	$ (52,830)	(1,714)	(54,544)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	$ 16,509	4,019	20,528

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at $12,991.

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

The North Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic are served includes the cities of Traer, Buckingham, Dinsdale and Clutier, Iowa, and the predominate agricultural territory in Tama county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Tama County Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Tama County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in certificates of deposit that are stated at a fair value of $9,091 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

(3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue, Physical Plant and Equipment Levy	$ 43,858

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year, as restated (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 116,414	0	0	116,414
Total capital assets not being depreciated	116,414	0	0	116,414
Capital assets being depreciated:				
Buildings	2,427,709	188,223	0	2,615,932
Improvements other than buildings	254,829	117,281	0	372,110
Machinery and equipment	1,208,269	103,768	98,028	1,214,009
Total capital assets being depreciated	3,890,807	409,272	98,028	4,202,051
Less accumulated depreciation for:				
Buildings	1,489,305	36,941	0	1,526,246
Improvements other than buildings	153,339	12,871	0	166,210
Machinery and equipment	928,876	103,444	98,028	934,292
Total accumulated depreciation	2,571,520	153,256	98,028	2,626,748
Total capital assets being depreciated, net	1,319,287	256,016	0	1,575,303
Governmental activities capital assets, net	$ 1,435,701	256,016	0	1,691,717

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 66,368	1,936	0	68,304
Less accumulated depreciation	36,173	4,013	0	40,186
Business-type activities capital assets, net	$ 30,195	(2,077)	0	28,118

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 29,192
Special	825
Other	6,391
Support services:	
Student services	220
Instructional support services	12,662
Administration	2,749
Operation and maintence plant assets	421
Transportation	50,984
	103,444
Unallocated depreciation	49,812
Total governmental activities depreciation expense	$ 153,256
Business-type activities:	
Food services	$ 4,013
Total business-type activities depreciation expense	$ 4,013

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Building loan(1996)	$ 42,000	0	42,000	0	0
Early retirement	20,913	0	17,023	3,890	3,890
Total	$ 62,913	0	59,023	3,890	3,890

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary using the current year regular salary schedule, less any other additional pay and subject to a maximum per individual. Early retirement benefits paid during the year ended June 30, 2006, totaled $17,023.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were $134,343, $126,861, $125,336, respectively, equal to the required contributions for each year.

(7) Risk Management

North Tama County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled $160,424 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Accounting Restatements

Beginning building accumulated depreciation in governmental activities of $1,284,099 was restated to $1,489,305. The restatement primarily added depreciation not previously recognized by the District.

	Beginning balance before restatement	Increase	Decrease	Balance after restatement
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 116,414	0	0	116,414
Total capital assets not being depreciated	116,414	0	0	116,414
Capital assets being depreciated:				
Buildings	2,427,709	0	0	2,427,709
Improvements other than buildings	254,829	0	0	254,829
Machinery and equipment	1,208,269	0	0	1,208,269
Total capital assets being depreciated	3,890,807	0	0	3,890,807
Less accumulated depreciation for:				
Buildings	1,284,099	205,206	0	1,489,305
Improvements other than buildings	153,339	0	0	153,339
Machinery and equipment	928,876	0	0	928,876
Total accumulated depreciation	2,366,314	205,206	0	2,571,520
Total capital assets being depreciated, net	1,524,493	(205,206)	0	1,319,287
Governmental activities capital assets, net	$ 1,640,907	(205,206)	0	1,435,701

The affects of the restatement in the governmental activities are summarized as follows:

Net assets, June 30, 2005, as previously reported	$ 1,640,907
Increase in depreciation not previously recorded	(205,206)
Net assets, July 1, 2005, as restated for governmental funds	$ 1,435,701

REQUIRED SUPPLEMENTAL INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	$ 2,561,396	157,913	2,719,309	2,788,442	2,788,442	(69,133)
Intermediate sources	44,889	0	44,889	0	0	44,889
State sources	2,092,833	2,930	2,095,763	2,100,543	2,100,543	(4,780)
Federal sources	108,421	71,335	179,756	240,000	240,000	(60,244)
Total revenues:	4,807,539	232,178	5,039,717	5,128,985	5,128,985	(89,268)
Expenditures:						
Instruction	2,910,554	20,739	2,931,293	3,097,751	3,087,751	156,458
Support services	1,523,557	0	1,523,557	1,482,917	1,547,917	24,360
Non-instructional programs	0	206,275	206,275	362,432	307,432	101,157
Other expenditures	508,303	0	508,303	529,428	589,428	81,125
Total expenditures:	4,942,414	227,014	5,169,428	5,472,528	5,532,528	363,100
Excess(deficiency) of revenues over(under) expenditures	(134,875)	5,164	(129,711)	(343,543)	(403,543)	(273,832)
Balance beginning of year	799,143	50,474	849,617	515,413	515,413	334,204
Balance end of year	$ 664,268	55,638	719,906	171,870	111,870	608,036

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by $60,000.

OTHER SUPPLEMENTAL INFORMATION

Schedule 1

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Manage-ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	$ 61,178	64,567	42,013	777	168,535
Receivables:					
Property tax:					
Current year delinquent	1,931	0	1,104	0	3,035
Succeeding year	30,000	0	50,537	0	80,537
TOTAL ASSETS	$ 93,109	64,567	93,654	777	252,107
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 0	2,946	0	0	2,946
Deferred revenue:					
Succeeding year property tax	30,000	0	50,537	0	80,537
Total Liabilities	30,000	2,946	50,537	0	83,483
Fund balances:					
Unreserved	63,109	61,621	43,117	777	168,624
TOTAL LIABILITIES AND FUND BALANCES	$ 93,109	64,567	93,654	777	252,107

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds						
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	$ 86,479	0	103,942	0	190,421	0	190,421
Other	350	203,044	6,738	284	210,416	0	210,416
State sources	77	0	44	0	121	0	121
TOTAL REVENUES	86,906	203,044	110,724	284	400,958	0	400,958
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	15,786	217,271	0	1,541	234,598	0	234,598
Support services:							
Administration services	16,981	0	0	0	16,981	0	16,981
Operation and maintenance of plant services	25,146	2,060	6,488	0	33,694	0	33,694
Student transportation	12,792	0	55,468	0	68,260	0	68,260
Other expenditures:							
Facilities acquisitions	0	0	2,275	0	2,275	0	2,275
Long-term debt:							
Principal	0	0	0	0	0	42,000	42,000
Interest	0	0	0	0	0	1,858	1,858
TOTAL EXPENDITURES	70,705	219,331	64,231	1,541	355,808	43,858	399,666
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	16,201	(16,287)	46,493	(1,257)	45,150	(43,858)	1,292
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	43,858	43,858
Transfers out	0	0	(43,858)	0	(43,858)	0	(43,858)
Total other financing sources(uses)	0	0	(43,858)	0	(43,858)	43,858	0
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	16,201	(16,287)	2,635	(1,257)	1,292	0	1,292
FUND BALANCE BEGINNING OF YEAR	46,908	77,908	40,482	2,034	167,332	0	167,332
FUND BALANCE END OF YEAR	$ 63,109	61,621	43,117	777	168,624	0	168,624

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Musical	$ 634	2,601	2,963	272
Instrumental Activity	1,984	2,631	3,804	811
Music Boosters	2,638	44,615	43,788	3,465
Music Boosters Investment	8,836	(8,836)	0	0
Youth Basketball	1,219	2	290	931
Athletics	14,266	57,155	61,051	10,370
Baseball/Softball	4,295	16,936	17,488	3,743
Youth Baseball	0	2,440	1,371	1,069
Nationals	426	2,027	1,932	521
Uniforms	1,933	3	457	1,479
Booster Club	8,313	14,576	11,454	11,435
Cheerleaders	707	631	762	576
FCCLA	1,193	8,947	9,987	153
Ind Arts Club	69	0	0	69
National Honor Society	1,187	900	743	1,344
Spanish Club	2,075	19	89	2,005
Speech Club	513	534	383	664
Student Council	3,244	12,676	13,648	2,272
Memory Book	268	1,691	1,594	365
Yearbook	5,427	12,780	15,228	2,979
JH Student Council	359	3,541	2,998	902
Interest	48	500	466	82
North Tama Dance Squad	874	5,406	5,099	1,181
Elementary Drill Team	1,050	71	986	135
Swing Show	916	1,846	1,958	804
Redhawks Readers	1,351	2	0	1,353
Art Club	2,258	1,760	1,859	2,159
FFA	372	1,996	1,922	446
PTO	7,085	1,342	2,918	5,509
PEP Club	295	0	0	295
Resident Artist	84	0	0	84
Athletic Improvement	1,196	8	1	1,203
Class of 2005	1,245	0	1,245	0
Class of 2006	1,283	808	1,968	123
Class of 2007	0	13,192	10,626	2,566
Fund Balance SADD	265	244	253	256
Total	$ 77,908	203,044	219,331	61,621

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2006

	Book Fair	NT & S	Other	Total
ASSETS				
Cash and pooled investments	$ 1,201	1,301	1,517	4,019
LIABILITIES				
Total liabilities	0	0	0	0
NET ASSETS				
Total net assets	$ 1,201	1,301	1,517	4,019

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	Book Fair	NT & S	Other	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	$ 1,342	1,554	16,129	19,025
TOTAL OPERATING REVENUES	1,342	1,554	16,129	19,025
OPERATING EXPENSES:				
Instruction:				
Salaries	0	0	1,571	1,571
Benefits	0	0	210	210
Services	0	0	5,840	5,840
Supplies	2,414	2,179	8,525	13,118
TOTAL OPERATING EXPENSES	2,414	2,179	16,146	20,739
OPERATING GAIN (LOSS)	(1,072)	(625)	(17)	(1,714)
NON-OPERATING REVENUES:				
Interest income	11	12	24	47
TOTAL NON-OPERATING REVENUES	11	12	24	47
Change in net assets	(1,061)	(613)	7	(1,667)
Net assets beginning of year	2,262	1,914	1,510	5,686
Net assets end of year	$ 1,201	1,301	1,517	4,019

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	Book Fair	NT & S	Other	Total
Cash flows from operating activities:				
Cash received from miscellaneous operating activities	$ 1,342	1,554	16,129	19,025
Cash payments to employees for services	0	0	(7,621)	(7,621)
Cash payments to suppliers for goods or services	(2,414)	(2,179)	(8,525)	(13,118)
Net cash provided by(used in) operating activities	(1,072)	(625)	(17)	(1,714)
Cash flows from investing activities:				
Interest on investments	11	12	24	47
Net cash provided by investing activities	11	12	24	47
Net increase(decrease) in cash and cash equivalents	(1,061)	(613)	7	(1,667)
Cash and cash equivalents at beginning of year	2,262	1,914	1,510	5,686
Cash and cash equivalents at end of year	$ 1,201	1,301	1,517	4,019
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	$ (1,061)	(613)	7	(1,667)
Net cash provided by(used in) operating activities	$ (1,061)	(613)	7	(1,667)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	$ 1,201	1,301	1,517	4,019

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	$ 2,051,963	1,930,361	1,853,955	1,845,864
Tuition	160,156	197,307	148,428	104,748
Other	349,277	372,176	285,966	320,072
Intermediate sources	44,889	0	0	0
State sources	2,092,833	1,923,128	1,733,213	1,649,905
Federal sources	108,421	138,940	103,148	117,835
Total	$ 4,807,539	4,561,912	4,124,710	4,038,424
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 2,069,180	1,976,410	1,602,992	1,579,928
Special instruction	509,009	556,548	369,907	316,496
Other instruction	332,365	135,386	450,074	460,346
Support services:				
Student services	187,172	136,781	134,248	132,436
Instructional staff services	167,755	81,459	121,762	117,052
Administration services	548,462	570,538	569,093	543,487
Operation and maintenance of plant services	332,797	315,180	286,537	268,607
Transportation services	287,371	231,975	295,949	182,573
Central services	0	0	871	632
Other expenditures:				
Facilities acquisitions	304,021	80,103	10,000	0
Long-term debt:				
Principal	42,000	135,500	127,500	126,320
Interest	1,858	10,553	18,206	25,888
AEA flow-through	160,424	146,689	147,606	152,360
Total	$ 4,942,414	4,377,122	4,134,745	3,906,125

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 9, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Tama County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tama County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of North Tama County Community School District and other parties to whom North Tama County Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Tama County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

NOLTE, CORNMAN & JOHNSON, P.C.

August 9, 2006

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-06 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 did not exceed the amount budgeted.

II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gretchen Pargen, Board Member Part owner of Auto Repair Service	Service	$765
Judy Robb, Board Member	Substitute Teacher	$2,480

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions do not appear to represent a conflict of interest.

II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.